

STATE OF CALIFORNIA

Budget Change Proposal - Cover Sheet

DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 0650	Department Governor's Office of Planning and Research	Priority No. 1
Budget Request Name 0650-003-BCP-BR-2016-GB		Program 0370 - STRATEGIC GROWTH COUNCIL	Subprogram

Budget Request Description

Strategic Growth Council: Transformational Climate Communities Program

Budget Request Summary

The Strategic Growth Council (SGC or Council) requests one-time funding of \$100 million in Greenhouse Gas Reduction Fund (GGRF) for the Transformational Climate Communities Program (Program) to support local climate action implementation in the State's top five percent disadvantaged communities. Funding would support projects that integrate multiple, cross-cutting approaches to reduce greenhouse gas emissions. The Program combines climate investments within a local area for catalytic impact – including investments in energy, transportation, active transportation, housing, urban greening, land use, water and waste efficiency, and other areas – while also increasing job training, economic, health and environmental benefits. Of the \$100 million requested, \$5 million shall be available to the SGC for support costs associated with the Program.

Requires Legislation

☐ Yes ☒ No

Code Section(s) to be Added/Amended/Repealed

Does this BCP contain information technology (IT) components? ☐ Yes ☒ No

Department CIO

Date

If yes, departmental Chief Information Officer must sign.

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

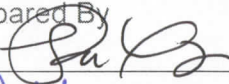
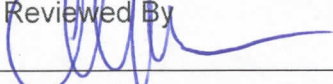

☐ FSR ☐ SPR

Project No.

Date:

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No

Attach comments of affected department, signed and dated by the department director or designee.

Prepared By 	Date 1/5/16	Reviewed By 	Date 1-5-16
Department Director  for Ken Alex	Date 1-5-16	Agency Secretary N/A	Date

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ CALSTARS ☐ Dept. of Technology

BCP Type:

☐ Policy☐ Workload Budget per Government Code 13308.05PPBA
Date submitted to the Legislature
1/7/16

A. Budget Request Summary

The Strategic Growth Council (SGC or Council) requests one-time funding of \$100 million Greenhouse Gas Reduction Fund (GGRF) for the Transformational Climate Communities Program (Program) to support local climate action in the State's top five percent disadvantaged communities through projects that integrate multiple, cross-cutting approaches to reduce greenhouse gas (GHG) emissions. The Program combines climate investments within a local area for catalytic impact – including investments in energy, transportation, active transportation, housing, urban greening, land use, water and waste efficiency, and other areas – while also increasing job training, economic, health and environmental benefits. Of the \$100 million requested, \$5 million shall be available to the SGC for support costs associated with the Program.

B. Background/History

Strategic Growth Council Background

SB 732 (Chapter 13, Statutes of 2008) creates the SGC for the purposes of:

- Coordinating State programs to identify and review activities and funding programs of member state agencies that may be coordinated to improve air and water quality, improve natural resource protection, increase the availability of affordable housing, improve transportation, meet the goals of AB 32, encourage sustainable land use planning, and revitalize urban and community centers in a sustainable manner.
- Managing and awarding grants and loans to support the planning and development of sustainable communities.
- Providing, funding, and distributing data and information to local governments and regional agencies that will assist in developing and planning sustainable communities.
- Recommending policies and investment strategies and priorities to the Governor, the Legislature, and to appropriate State agencies to encourage the development of sustainable communities, such as those communities that promote equity, strengthen the economy, protect the environment, and promote public health and safety.

The Council is comprised of ten members representing six State agencies: the Secretaries of the California Natural Resources Agency; the California Environmental Protection Agency; California State Transportation Agency; the California Health and Human Services Agency; the California Business, Consumer Services and Housing Agency; the California Department of Food and Agriculture, as well as the Director of Office of Planning and Research (OPR), and three public members, each appointed by the Governor, Senate Committee on Rules, and Speaker of the Assembly.

The Global Warming Solutions Act of 2006 (Chapter 488, Statutes of 2006 [Assembly Bill 32]), requires California to reduce statewide GHG emissions to 1990 levels by 2020 and to maintain and continue reductions beyond 2020. The Air Resources Board (ARB) has developed a market-based Cap-and-Trade Program as a key element of its overall GHG reduction strategy. The program establishes a statewide emissions limit on the sources responsible for 85 percent of GHGs and creates a financial incentive for investment in clean and efficient technologies.

Strategic investment of these auction proceeds will further the goals of Assembly Bill (AB) 32 including support of long-term, transformative efforts to improve public health and develop a clean energy economy. Three bills signed into law by Governor Brown – AB 1532, SB 535, and SB 1018 (Statutes of 2012) – collectively establish the GGRF to receive these proceeds and provide a framework for how these funds will be administered and spent on projects to reduce GHG emissions. Senate Bill (SB) 862 (Chapter 36, Statutes 2014) requires the SGC to develop and administer the Affordable Housing and Sustainable Communities program (AHSC) to reduce GHG emissions through projects that implement land use, housing, transportation, and agricultural land preservation practices to support infill and compact development and that support other related and coordinated public policy objectives. The

Executive Director of the SGC shall report the progress on the implementation of the Program as a part of the SGC's annual report to the Legislature. SB 862 continuously appropriates 20 percent of the annual proceeds of the GGRF to the SGC for the AHSC. Administrative oversight and staffing of the SGC is located at OPR, pursuant to SB 862.

Additionally, the Budget Act of 2015 (Chapter 321, Statutes 2015) appropriated \$500,000 in GGRF proceeds for a pilot technical assistance program for the AHSC program, administered by the SGC, to maximize the funding of projects located in disadvantaged communities.

Cap and Trade Background:

Implementation of the California Global Warming Solutions Act of 2006 (AB 32) includes measures that achieve real, quantifiable, cost-effective reductions of GHG emissions and return California to 1990 emission levels by 2020. Since 2006, the State has continued to steadily implement a set of actions that are driving down GHG emissions, cleaning the air, diversifying the energy and fuels that power our society, spurring innovation in a range of advanced technologies and improving natural resource health statewide.

These efforts have put California on course to achieve the 2020 emissions limit, and have created a framework for ongoing climate action that can be built upon to maintain and continue reductions beyond 2020. In addition to the near-term GHG emission reduction goals established in AB 32, mid-term and longer-term GHG emission reduction targets have been established in Executive Orders B-30-15 and S-3-05 to reduce GHG emissions by 40 percent below 1990 levels by 2030 and 80 percent below 1990 levels by 2050, respectively.

The GGRF –(funded by the Cap-and-Trade Program generated Auction Proceeds, authorized by AB 32) has been established for the purpose of funding measures that allow California to achieve its GHG reduction goals, furthering the purposes of AB 32. In addition, SB 535 (Chapter 830, Statutes of 2012) requires that twenty-five percent of GGRF funds are spent to benefit designated disadvantaged communities, and ten percent must be spent within disadvantaged communities.

C. State Level Considerations

This proposal supports statutory requirements and ongoing commitments by the Administration to reduce GHG emissions and yield valuable co-benefits for those at all income levels. To meet the objectives of AB 32, a balanced effort is required to address the major sources of climate change in California, including investments in energy, transportation, active transportation, housing, urban greening, land use, water and waste efficiency, and other areas.

This priority is reflected in the establishment of statewide and regional GHG reduction targets, and in the "Cap-and-Trade Auction Proceeds Second Investment Plan: FY 2016-17 through 2018-19" (2016 Investment Plan), as well as other policy documents such as the AB 32 Scoping Plan and Regional Transportation Plan Guidelines.

This proposal also supports the 2016 Investment Plan's goal of improved integration and collaboration between agencies and governments. The SGC will work with local and regional governments on the implementation of the Program. The target for these funds is the top 5 percent of disadvantaged communities, and therefore SGC will be coordinating with the local stakeholders to implement funded projects in these disadvantaged communities. SGC will also collaborate with regional governments to ensure that funded projects meet the region's Sustainable Communities Strategies goals.

Program funding shall be coordinated by the Council to leverage and support the collective goals of ongoing State efforts. Although the affected State programs could independently support the overall goals of the Investment Plan, coordination by the SGC provides a unique and independent mechanism to align the State's sustainability goals, encourage ongoing discussion and collaboration between State entities as well as support greater efficiencies of local assistance funding to those who may be eligible to receive funding within these programs.

D. Justification

This proposal is tied directly to the implementation of the 2016 Investment Plan and addresses critical needs to support the reduction of GHG emissions. Senate Bill 862 (Chapter 36, Statutes of 2014) includes major programmatic responsibilities to the SGC and OPR to support the implementation of AB 32 (Chapter 488, Statutes 2006) and SB 375 (Chapter 728, Statutes of 2008) as well as all the other GGRF programs that may be involved in the Program. Funding for the Program supports the identified need to incentivize local and regional implementation of the State's climate objectives, addressing and acknowledging the limited local resources with which to implement sustainable community development and meet GHG emissions reduction targets.

The Program projects are envisioned as larger in scale and impact than existing, individual State climate programs, and link investments to maximize GHG reduction and community benefits at the district, neighborhood or larger scale. The program shall support a holistic, collaborative approach to project development and implementation at the local level, and projects may be multi-phase or multi-year.

Administrative Justification

OPR and SGC staff has determined that six positions: a Program Manager, a Technical Advisor, two Senior Intergovernmental Program Analysts, and two Associate Intergovernmental Program Analysts, are needed to support needs of developing and implementing the new Program.

Coordination with the ARB to support administrative reporting requirements and ongoing monitoring of GGRF investments, required by statute and implemented through the ARB, are substantial and time consuming. Additional funding is needed for staff support to develop the guidelines for the new program, coordinate with related state agencies, and administer the funds to local awardees. In addition, ARB has developed guidance regarding GGRF administrative and financial procedures for GGRF implementing agencies, annual expenditure records, as well as criteria for State GGRF support of disadvantaged communities. The State Auditor has stated that all programs associated with the GGRF will be audited.

Methodology used for this was an analysis of the current administrative capabilities at OPR. The OPR currently has one accountant, one budget analyst, one personnel officer, and one contracts analyst; the current administrative staff does not have the capacity to provide support for the administrative tracking, oversight, and reporting associated with the Program. SGC has added 2 administrative staff to assist with the existing SGC GGRF programs (AHSC and Sustainable Agricultural Lands Conservation) but they cannot cover the responsibilities for the administrative oversight of the new program.

Use of the GGRF for this proposal is acceptable as the administrative functions and costs proposed support the Program. There is a great public need to provide funding for transformative projects. Adverse impacts of not approving this proposal include, but are not limited to, not moving forward with this important program, possible misappropriation of funds from the GGRF if administrative support is not included, failure to adequately track the funds, failure to adequately report to the Legislature and the ARB, failure of audits by the State Auditor, and legal action by outside organization and interest groups. This request has significant time constraints and addresses an immediate need to award the approximately \$95 million in grants.

This proposal has both short term and long term benefits. In the short term, funds need to be transferred to granting entities as soon as possible and consistent with the negotiated requirements to get the \$95 million awarded. Long term benefits are that there is a need to track, report and audit SGC program funds, and monitor the projects throughout implementation, which will be greatly limited if this proposal is not approved.

The state should assume responsibility for this change because it is a state program that is being implemented. This type of program is a first in the nation and we are not aware of any other states that have such programs. OPR is not aware of any opposition to this request.

E. Outcomes and Accountability

Outcomes of this proposal will be development of the new Program, which will combine climate investments within a local area for catalytic impact – including investments in energy, transportation, active transportation, housing, urban greening, land use, water and waste efficiency, and other areas – while also increasing job training, economic, health and environmental benefits. Funding for the Program supports the identified need to incentivize local and regional implementation of the State's climate objectives, addressing and acknowledging the limited local resources with which to implement sustainable community development and meet GHG emissions reduction targets.

Operations support will ensure compliance with the statutory and ARB-established reporting requirements for the GGRF, timely transfer of funds to state agencies distributing the grant funds, tracking of the funds for audit and reporting purposes, development of any memorandums of understanding (MOU) or interagency agreements that may be needed to transfer the funds, and tracking and reporting on the projects that will be funded through the Program for report back the SGC, the Legislature, and the ARB.

Improvements and changes will be measured through the required reporting to the SGC, the Legislature, and the ARB. Controls are in place through the budget process, state accounting protocols, FISCAL, and oversight by the SGC Executive Director. Requested resources will be accounted for through the OPR budget process through the Department of Finance and reporting to the SGC on staff actions in the SGC Yearly Report. Progress and outcome reports are required annually to the SGC and the Legislature and reporting criteria are also being developed by the ARB.

F. Analysis of All Feasible Alternatives

Alternative 1: Approve Proposal. The SGC requests a one-time funding of \$100 million in GGRF for the Program. Of the \$100 million requested, \$5 million shall be available to the SGC for support costs associated with the Program.

Alternative 2: Do Not Approve Proposal. Without additional funding and a coordinated program, the state's objectives of integrated investments in climate SGC would be more difficult to achieve.

Alternate 3: Redirect Other SGC Positions. The SGC does not have any vacancies to redirect for this position. If the SGC were to redirect existing SGC staff to fulfill this workload, other statutory requirements of the SGC would go unfulfilled.

G. Implementation Plan

This request supports program development, creation of program guidelines, implementation of the program, coordination with other agencies, and ongoing administrative activities to ensure the success of the Program. For current year needs, SGC and administering agencies plan to begin interviews for appropriate personnel. There are no regulations or fee changes associated with this proposal.

H. Supplemental Information

There is no supplemental information.

I. Recommendation

The SGC recommends approval for a one-time funding of \$100 million GGRF for the Program to support local climate action implementation in the State's top 5 percent disadvantaged communities through projects that integrate multiple, cross-cutting approaches to reduce GHG emissions. The Program combines climate investments within a local area for catalytic impact – including investments in energy, transportation, active transportation, housing, urban greening, land use, water and waste efficiency, and other areas – while also increasing job training, economic, health and environmental benefits. Of the \$100 million requested, the SGC recommends approval of \$5 million available to the SGC for support costs associated with the Program.

BCP Fiscal Detail Sheet

BCP Title: Strategic Growth Council: Transformational Climate Communities Program

DP Name: 0650-003-BCP-DP-2016-GB

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Salaries and Wages						
Earnings - Permanent	0	1,359	0	0	0	0
Total Salaries and Wages	\$0	\$1,359	\$0	\$0	\$0	\$0
Total Staff Benefits	0	582	0	0	0	0
Total Personal Services	\$0	\$1,941	\$0	\$0	\$0	\$0
Operating Expenses and Equipment						
5301 - General Expense	0	38	0	0	0	0
5302 - Printing	0	21	0	0	0	0
5304 - Communications	0	54	0	0	0	0
5320 - Travel: In-State	0	138	0	0	0	0
5322 - Training	0	18	0	0	0	0
5324 - Facilities Operation	0	105	0	0	0	0
5340 - Consulting and Professional Services - Interdepartmental	0	270	0	0	0	0
5340 - Consulting and Professional Services - External	0	2,400	0	0	0	0
5346 - Information Technology	0	15	0	0	0	0
54XX - Special Items of Expense	0	95,000	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$98,059	\$0	\$0	\$0	\$0
Total Budget Request	\$0	\$100,000	\$0	\$0	\$0	\$0

Fund Summary

Fund Source - State Operations						
3228 - Greenhouse Gas Reduction Fund	0	5,000	0	0	0	0
Total State Operations Expenditures	\$0	\$5,000	\$0	\$0	\$0	\$0
Fund Source - Local Assistance						
3228 - Greenhouse Gas Reduction Fund	0	95,000	0	0	0	0
Total Local Assistance Expenditures	\$0	\$95,000	\$0	\$0	\$0	\$0
Total All Funds	\$0	\$100,000	\$0	\$0	\$0	\$0

Program Summary

Program Funding						
0370 - Strategic Growth Council	0	100,000	0	0	0	0

Personal Services Details

Salaries and Wages	CY	BY	BY+1	BY+2	BY+3	BY+4
-	0	1,359	0	0	0	0
Total Salaries and Wages	\$0	\$1,359	\$0	\$0	\$0	\$0
Staff Benefits						
5150900 - Staff Benefits - Other	0	582	0	0	0	0
Total Staff Benefits	\$0	\$582	\$0	\$0	\$0	\$0
Total Personal Services	\$0	\$1,941	\$0	\$0	\$0	\$0